

## **ABSTRACT**

### **THE INFLUENCE OF INCOME SMOOTHING TO THE MARKET REACTION AND INVESTMENT RISK AT MANUFACTURE COMPANIES THAT LIST AT BURSA EFEK INDONESIA**

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Profit is an important factor to estimate the performance of the company as one of the basis for the investor to estimate the future profit. This matter has made the investor pay much attention to the profit of a company without noticing the process of the forming of profit information. This condition support the manager to do “earning management”. One of “earning management” measurement is doing a income smoothing. The aims of the research are: to test the influence of income smoothing to market reaction and investment risk.

The research use manufacture companies as sample, through purposive sampling method, 10 companies were taken as samples. The data of research is submitted by documantion. The data is analyzed by regression analysis with software of SPSS 17.0.

The result of the study shows that, market reaction that is observed for 15 days before profit announcement and 15 days after the profit announcement show the difference of market reaction and income smoothing influence to market reaction with 5% of the significant rate. Between that the result of the study shows too difference investment risk between profit smoother company and non profit smoother company with 5% of the significant rate.

**Key words : Income Smoothing, Market Reaction, Investment Risk.**